

Ethics Commission

Senate Finance and Financial Institutions Committee

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Legislative Service Commission*

May 11, 2007

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LSC Redbook for the Ethics Commission

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ATTACHMENTS:

Catalog of Budget Line Items
LSC Budget Spreadsheet By Line Item: Executive to House Passed
Comparison Document: Permanent and Temporary Law

May 11, 2007

Ethics Commission

- Total funding request for the biennium is \$4,630,389
- 253 individual advisory matters closed in calendar year 2006, a 45% increase from 2002
- Approximately 3,000 advisory phone calls received each year

OVERVIEW

The Ohio Ethics Commission (ETH) administers, interprets, and enforces ethical conduct in government under Ohio Ethics Law, Chapter 102, and related provisions of the Ohio Revised Code. The underlying mission of the Commission is to promote and enforce ethical conduct throughout state and local government through impartial and responsive education, advice, investigation, and financial disclosure processes. To fulfill its mission, the Commission has improved educational and informational access to thousands of public servants to create a baseline understanding of ethics law. The Ethics Commission consists of six members who are appointed by the Governor and confirmed by the Senate. The political affiliation of the Commission is equally divided between the two major parties.

The day-to-day administration of the Commission's activities is the responsibility of the Executive Director and staff. Commission staff responsibilities fall into four general categories: public information, advisory opinions, investigations and referrals for prosecution, and financial disclosure. Including most state agencies and political subdivisions, about 18,700 elected officials and 590,000 employees statewide fall under the Commission's jurisdiction.

The executive recommends an appropriation of \$2,295,571 in FY 2008, a 2.5% decrease from estimated FY 2007 expenditures of \$2,354,756, and \$2,334,818 in FY 2009, a 1.7% increase over the recommended funding levels for FY 2008.

Executive Recommendation FYs 2008-2009

Increased Caseloads

The Ethics Commission has experienced increased requests for many of its required services in recent biennia. ETH gives advice to public officials to protect against personal, family, and business conflicts. In calendar year 2006, ETH closed 253 advisory matters, which was an increase of 45% from calendar year 2002. However, ETH handles this caseload with a staff of three attorneys, which was reduced from four in FY 2002. Additionally, ETH received 463 investigative inquiries in calendar year 2006. The number of requests has ranged from 300-350 in previous biennia.

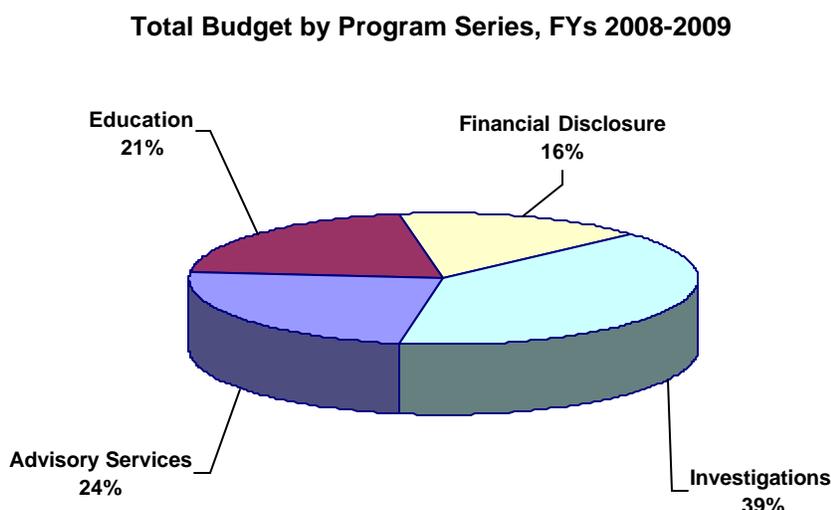
Additional Staffing

ETH estimates that additional staff is necessary to continue providing investigation services over the next biennium, as allegations received by ETH increased by 28% in the FY 2004-2005 biennium over the previous two years. These have increased an additional 27% at this point in the FY 2006-2007 biennium. Therefore, with the increasing caseload it is facing, the agency is requesting additional funding for new staff positions. An additional \$163,350 in FY 2008 and \$249,597 in FY 2009 fully funds existing staff and will allow the Commission to fill two new investigative staff positions.

Hardware and Software Needs

ETH previously utilized a legacy database system for data processing within its Financial Disclosure Program. That system was designed over 12 years ago. The system was at risk of failing because it was no longer capable of upgrade or design consultant support. The software was originally designed to track approximately 8,500 annual filings. Today, the system must account for an average of 10,500-11,500 annual filings as well as perform many other reporting duties that were not originally anticipated. ETH has made a significant investment in completely replacing the previous system over the FY 2006-2007 biennium. Completion of the first two phases of this replacement is expected by the end of FY 2007. The final phase of the project is the online filing component, slated for completion in FY 2008. During the FY 2006-2007 biennium, the majority of the funding for these upgrades came from the commission's General Service Fund. In order to complete this project, the executive recommendations provides an additional \$52,000 in GRF for FY 2008.

The chart below illustrates the portion of ETH's budget that is allocated to each of its four programs. The Investigations Program constitutes the largest portion of the budget.



Staffing Levels

| Ethics Commission Staffing Levels | | | | | | |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Program Series/Division | 2004 | 2005 | 2006 | 2007 | Estimated | |
| | | | | | 2008 | 2009 |
| Advisory Services | 3 | 3 | 3 | 3 | 3 | 3 |
| Education | 2 | 2 | 2 | 3 | 3 | 3 |
| Financial Disclosure | 3 | 3 | 3 | 3 | 3 | 3 |
| Investigation | 8 | 8 | 8 | 10 | 10 | 10 |
| Office Administration* | 4 | 4 | 4 | 4 | 4 | 4 |
| Totals | 20 | 20 | 20 | 23 | 23 | 23 |

*Office Administration includes the executive director, and office manager, a word processor, and an IT administrator.

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series

Operating Expenses

Purpose: This program series administers the Ohio Ethics Law for public officials and employees at the state and local levels of government. The Commission's four major program areas are advisory services, including advisory opinions, education and public information, financial disclosure, and investigations and referrals for prosecution.

The following table shows the line items that are used to fund this commission, as well as the Governor's recommended funding levels.

| Fund | ALI | Title | FY 2008 | FY 2009 |
|--|---------|--------------------|--------------------|--------------------|
| General Revenue Fund | | | | |
| GRF | 146-321 | Operating Expenses | \$1,863,028 | \$1,902,275 |
| General Revenue Fund Subtotal | | | \$1,863,028 | \$1,902,275 |
| General Services Fund | | | | |
| 4M6 | 146-601 | Operating Expenses | \$432,543 | \$432,543 |
| General Services Fund Subtotal | | | \$432,503 | \$432,543 |
| Total Funding: Ohio Ethics Commission | | | \$2,295,571 | \$2,334,818 |

The Commission operates the following programs:

- **Program 01.01: Advisory Services**
- **Program 01.02: Education**
- **Program 01.03: Financial Disclosure**
- **Program 01.04: Investigations**
- **Program 01.05: Program Management**

Advisory Services

Program Description: This program increases awareness and understanding of the ethics law by the public, public officials and employees, and entities doing business with government entities to ensure compliance with the state's ethics law. The Advisory Services program implements the Commission's authority to render advisory opinions with regard to questions concerning ethics, conflicts of interest, and financial disclosure. It allows those who have potential conflicts or otherwise need ethics advice to seek guidance before they act. The Commission issues written advisory opinions that apply the ethics law and related statutes for state and local public officials and employees, provides telephone guidance to public servants, and provides ethics law information to the public and the media. When the commission provides written advice, the individual to whom the opinion was directed is immune from criminal prosecution if such advice is heeded.

Funding Source: GRF, GSF

Line Items: GRF 146-321, Operating Expenses, and GSF 146-601, Operating Expenses

Implication of Executive Recommendation: The recommended level of \$447,005 in FY 2008 and \$468,582 in FY 2009 fully funds this program over the next biennium.

Temporary and Permanent Law Provisions

None

Education/Public Information

Program Description: This program provides continuing education and written materials concerning the provisions of Ohio's ethics law, conflicts of interest, and financial disclosure. The educational sessions and informational materials help increase public awareness of the application of Ohio's ethics law and, thereby, decrease the potential for ethics violations. Ethics education is offered through the development and distribution of informational materials, correspondence, educational appearances, telephone assistance, and the Commission's web site. This program also assumes much of the responsibility to review and recommend ethics-related legislation to the General Assembly.

Funding Source: GRF, GSF

Line Items: GRF 146-321, Operating Expenses, and GSF 146-601, Operating Expenses

Implication of Executive Recommendation: The recommendation of \$329,161 in FY 2008 and \$343,197 in FY 2009 fully funds this program over the next biennium. This level of funding will allow the Commission to continue providing educational services at the current level with currently funded personnel.

Temporary and Permanent Law Provisions

None

Financial Disclosure

Program Description: This program administers and enforces the financial disclosure requirements of the Ohio Revised Code, which mandates over 10,500 elected state, county, and city officeholders; candidates for those offices; upper level state administrative appointees and employees; and many state board and commission members and their executive directors annually disclose their sources of income and investments. The purpose of the disclosure is to remind the filer and make the public and Commission aware of potential conflicts of interest.

Funding Source: GRF, GSF

Line Items: GRF 146-321, Operating Expenses, and GSF 146-601, Operating Expenses

Implication of Executive Recommendation: The recommendation of \$371,936 in FY 2008 and \$330,608 in FY 2009 fully funds this program over the next biennium. The recommended appropriation level for FY 2008 includes a one-time amount of \$52,000 to provide software enhancement to the agency's web site and new financial disclosure database system, which allows for online filing.

Temporary and Permanent Law Provisions

None

Investigations

Program Description: This program administers confidential investigations of allegations or complaints of ethics violations against public officials and employees and those with whom they do business. The Commission reports its findings to the appropriate prosecuting attorney in such cases as violations are evidenced. The Commission investigates allegations of wrongdoing involving public officials and employees, and private parties who interact with them, at every level of government, including state departments, boards, and commissions; counties; cities; villages; townships; school districts; and other public entities.

Funding Source: GRF, GSF

Line Items: GRF 146-321, Operating Expenses, and GSF 146-601 Operating Expenses

Implication of Executive Recommendation: The FY 2008 recommendation of \$946,469 and FY 2009 recommendation of \$991,431 fully funds this program over the next biennium. These funding levels will allow ETH to continue to fund two additional employees to the investigative staff. Without full funding, ETH would have been forced to cut an investigative employee in FY 2009.

Temporary and Permanent Law Provisions

None

Program Management

Program Description: This program provides general shared operating and administrative support costs needed to support all other program areas within the Ethics Commission such as human resources, information technology, and fiscal management.

Funding Source: GRF, GSF

Line Items: GRF 146-321, Operating Expenses, and GSF 146-601, Operating Expenses

Implication of Executive Recommendation: The recommended \$201,000 in each fiscal year fully funds this program over the next biennium.

REQUESTS NOT FUNDED

The Ethics Commission's budget request for FYs 2008-2009 was fully funded at \$2,295,571 in FY 2008 and \$2,334,818 in FY 2009.

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General Revenue Fund

GRF 146-321 Operating Expenses

| 2004 | 2005 | 2006 | 2007 Estimate | 2008 House Passed | 2009 House Passed |
|-------------|-------------|-------------|------------------|----------------------|----------------------|
| \$1,280,809 | \$1,357,230 | \$1,475,574 | \$1,742,213 | \$1,863,028 | \$1,902,275 |
| | 6.0% | 8.7% | 18.1% | 6.9% | 2.1% |

Source: GRF

Legal Basis: ORC 102.05 (originally established by Am. Sub. H.B. 283 of the 123rd G.A.)

Purpose: This line item is used to pay personnel, maintenance, and equipment costs of the Commission.

General Services Fund Group

4M6 146-601 Operating Expenses

| 2004 | 2005 | 2006 | 2007 Estimate | 2008 House Passed | 2009 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$320,801 | \$331,478 | \$334,642 | \$612,543 | \$432,543 | \$432,543 |
| | 3.3% | 1.0% | 83.0% | -29.4% | 0.0% |

Source: GSF: Financial disclosure filing fees and late filing fees from public officials are the main source of revenue for this fund. Additional deposits may include limited court ordered restitution resulting from costs of investigations. Am. Sub. H.B. 95 of the 125th G.A. increased all financial disclosure filing fees by \$15 for all filers.

Legal Basis: ORC 102.02(G)(2) (originally established by Am. Sub. H.B. 285 of the 120th G.A.)

Purpose: Moneys in this line item are used to supplement GRF funding for operations and statutory functions of the Commission.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

| <i>Fund ALI ALI Title</i> | <i>Estimated 2007</i> | <i>As Introduced 2008</i> | <i>House Passed 2008</i> | <i>% Change Est. 2007 to House 2008</i> | <i>As Introduced 2009</i> | <i>House Passed 2009</i> | <i>% Change House 2008 to House 2009</i> |
|--|---------------------------|-----------------------------------|------------------------------|---|-----------------------------------|------------------------------|--|
| <i>ETH Ethics Commission</i> | | | | | | | |
| GRF 146-321 Operating Expenses | \$1,742,213 | \$ 1,863,028 | \$ 1,863,028 | 6.9% | \$ 1,902,275 | \$ 1,902,275 | 2.1% |
| General Revenue Fund Total | \$ 1,742,213 | \$ 1,863,028 | \$ 1,863,028 | 6.9% | \$ 1,902,275 | \$ 1,902,275 | 2.1% |
| 4M6 146-601 Operating Expenses | \$612,543 | \$ 432,543 | \$ 432,543 | -29.4% | \$ 432,543 | \$ 432,543 | 0.0% |
| General Services Fund Group Total | \$ 612,543 | \$ 432,543 | \$ 432,543 | -29.4% | \$ 432,543 | \$ 432,543 | 0.0% |
| <i>Total All Budget Fund Groups</i> | | | | | | | |
| | \$ 2,354,756 | \$ 2,295,571 | \$ 2,295,571 | -2.5% | \$ 2,334,818 | \$ 2,334,818 | 1.7% |